

ORIGINAL

OPEN MEETING



MEMORANDUM

Arizona Corporation Commission

RECEIVED

TO: THE COMMISSION

DOCKETED

2012 JUL 20 A 10:05

FROM: Utilities Division

JUL 20 2012

DATE: July 20, 2012

DOCKETED BY

AM

AZ CORP COMMISSION
DOCKET CONTROL

RE: **COMPLIANCE FILING PER DECISION NO. 73084** – IN THE MATTER OF THE APPLICATION OF CEDAR GROVE WATER, INC. FOR APPROVAL OF A RATE INCREASE – BMP COMPLIANCE FILING (DOCKET NO. W-20541A-11-0199)

Introduction

On April 5, 2012, the Arizona Corporation Commission (“Commission”) issued Decision No. 73084 approving adjusted rates for Cedar Grove Water, Inc. (“Company”). As part of the Decision, the Commission ordered “that the Company file, within 90 days of the effective date of this Decision, with the Commission’s Docket Control as a compliance item in this docket, at least three BMPs in the form of tariffs that substantially conform to the templates created by Staff for the Commission’s review and consideration.”

Company’s Compliance Filing

On June 11, 2012, the Company filed proposed Best Management Practice (“BMP”) tariffs 3.6, 3.8 and 5.2. After discussions with the Utilities Division (“Staff”), the Company decided to replace BMP 3.8 with BMP 4.3. As a result, the Company is presently requesting Commission approval for the three BMP tariffs listed below:

1. Customer High Water Use Inquiry Resolution Tariff – BMP 3.6
2. Comprehensive Water System Audit Program Tariff – BMP 4.3
3. Water System Tampering Tariff – BMP 5.2

Staff’s Analysis

The Company’s service area provides water utility service to a community consisting of approximately 370 residential customers located 12 miles east of Show Low, Apache County. The Company is not located in any of the Arizona Department of Water Resources’ (“ADWR”) Active Management Areas. According to the Company, the proposed BMPs are the least cost to implement and will assist in the Company’s system operation. ADWR considers the proposed BMPs applicable to any state-wide service areas. Staff concludes that each of the BMP tariffs proposed is relevant to the Company’s service area characteristics.

The three BMP tariffs proposed by the Company conform to the templates developed by Staff.

Recommendations

Staff concludes that the three BMP tariffs proposed by the Company are relevant to the Company's service area characteristics and that these proposed tariffs conform to the templates developed by Staff. Staff recommends approval of the Company's proposed three BMP tariffs contained in Exhibit A.

A handwritten signature in black ink, appearing to read 'Steven M. Olea', with a stylized, sweeping flourish extending from the end of the name.

Steven M. Olea
Director
Utilities Division

SMO:MSJ:sms/SH

Originator: Marlin Scott, Jr.

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 GARY PIERCE
 Chairman

3 BOB STUMP
 Commissioner

4 SANDRA D. KENNEDY
 Commissioner

5 PAUL NEWMAN
 Commissioner

6 BRENDA BURNS
 Commissioner

7 IN THE MATTER OF THE APPLICATION OF)
8 CEDAR GROVE WATER, INC. FOR APPROVAL)
9 OF A RATE INCREASE.)

DOCKET NO. W-20541A-11-0199

DECISION NO. _____

10 ORDER

11 **COMPLIANCE FILING PER**
12 **DECISION NO. 73084 FOR ADWR**
 BEST MANAGEMENT
 PRACTICES

13 Open Meeting
14 August 14 and 15, 2012
 Phoenix, Arizona

15 BY THE COMMISSION:

16 FINDINGS OF FACT

17 1. Cedar Grove Water, Inc. ("Company") is certificated to provide water service as a
18 public service corporation in the State of Arizona.

19 2. On April 5, 2012, the Arizona Corporation Commission ("Commission") issued
20 Decision No. 73084 approving adjusted rates for the Company. As part of the Decision, the
21 Commission ordered "that the Company file, within 90 days of the effective date of this Decision,
22 with the Commission's Docket Control as a compliance item in this docket, at least three BMPs in
23 the form of tariffs that substantially conform to the templates created by Staff for the
24 Commission's review and consideration."

25 3. On June 11, 2012, the Company filed proposed Best Management Practice
26 ("BMP") tariffs 3.6, 3.8 and 5.2. After discussions with the Utilities Division ("Staff"), the
27 Company decided to replace BMP 3.8 with BMP 4.3. As a result, the Company is presently
28 requesting Commission approval for the three BMP tariffs listed below:

- 1 • **Customer High Water Use Inquiry Resolution Tariff – BMP 3.6:** A program for the
2 Company to assist its customers with their high water-use inquiries and complaints.
- 3 • **Comprehensive Water System Audit Program Tariff – BMP 4.3:** A program for the
4 Company to perform a systematic audit of its water system(s) and water records to
5 identify and quantify water losses.
- 6 • **Water System Tampering Tariff – BMP 5.2:** The purpose of the tariff is to promote
7 the conservation of groundwater by enabling the Company to bring an action for
8 damages or to enjoin any activity against a person who tampers with the water system.

7 **Staff's Analysis**

8 Company Service Area Characteristics

9 4. The Company's service area provides water utility service to a community
10 consisting of approximately 370 residential customers located 12 miles east of Show Low, Apache
11 County, Arizona. The Company is not located in any of the Arizona Department of Water
12 Resources' ("ADWR") Active Management Areas. According to the Company, the proposed
13 BMPs are the least cost to implement and will assist in the Company's system operation. ADWR
14 considers the proposed BMPs applicable to any state-wide service areas. Staff concludes that each
15 of the BMP tariffs proposed is relevant to the Company's service area characteristics.

16 Proposed Tariffs .

17 5. The three BMP tariffs proposed by the Company conform to the templates
18 developed by Staff.

19 **Recommendations**

20 6. Staff has concluded that the three BMP tariffs proposed by the Company are
21 relevant to the Company's service area characteristics and that these proposed tariffs conform to
22 the templates developed by Staff. Staff has recommended approval of the Company's proposed
23 three BMP tariffs attached hereto as Exhibit A.

24 CONCLUSIONS OF LAW

25 1. Cedar Grove Water, Inc. is an Arizona public service corporation within the
26 meaning of Article XV, Section 2, of the Arizona Constitution.

27 2. The Commission has jurisdiction over Cedar Grove Water, Inc. and of the subject
28 matter in this Application.

1 3. The Commission having reviewed the filing and Staff's Memorandum dated July
2 20, 2012, concludes that it is in the public interest to approve the three BMP tariffs attached hereto
3 as Exhibit A.

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ORDER

IT IS THEREFORE ORDERED that Cedar Grove Water, Inc.'s three BMP tariffs attached hereto as Exhibit A are hereby approved.

IT IS FURTHER ORDERED that Cedar Grove Water, Inc. shall notify its customers of the BMP tariffs authorized herein and its effective date by means of either an insert in its next regularly scheduled billing or by a separate mailing and shall provide copies of the BMP tariffs to any customer, upon request.

IT IS FURTHER ORDERED that Cedar Grove Water, Inc. shall file with Docket Control, as a compliance item in this docket, the three BMP tariffs authorized herein within 30 days of the effective date of this Decision.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
Executive Director of the Arizona Corporation Commission,
have hereunto, set my hand and caused the official seal of this
Commission to be affixed at the Capitol, in the City of Phoenix,
this _____ day of _____, 2012.

ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:MSJ:sms/SH

Decision No. _____

1 SERVICE LIST FOR: Cedar Grove Water, Inc.
2 DOCKET NO.: Docket No. W-20541A-11-0199

3 Thomas Grapp, Vice-President of Operations
4 CEDAR GROVE WATER, INC.
5 P.O. Box 1270
6 Show Low, Arizona 85902-1270

7 Steven M. Olea
8 Director, Utilities Division
9 Arizona Corporation Commission
10 1200 West Washington Street
11 Phoenix, Arizona 85007

12 Janice M. Alward
13 Chief Counsel, Legal Division
14 Arizona Corporation Commission
15 1200 West Washington Street
16 Phoenix, Arizona 85007
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Exhibit A

Company: _____

Decision No.: _____

Phone: _____

Effective Date: _____

Customer High Water Use Inquiry Resolution Tariff – BMP 3.6

PURPOSE

A program for the Company to assist its customers with their high water-use inquiries and complaints (Modified Non-Per Capita Conservation Program BMP Category 3: Outreach Services 3.6: Customer High Water Use Inquiry Resolution).

REQUIREMENTS

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission and were adapted from the Arizona Department of Water Resources' Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. The Company shall handle high water use inquiries as calls are received.
2. Calls shall be taken by a customer service representative who has been trained on typical causes of high water consumption as well as leak detection procedures that customers can perform themselves.
3. Upon request by the customer or when the Company determines it is warranted, a trained Field Technician shall be sent to the customer's residence to conduct a leak detection inspection and provide the customer with water conservation measures. The leak detection inspection may consist of a meter read check for flow verification. If the on-site inspection is requested by the customer, the Commission approved meter re-read tariff fee shall apply.
4. The Company shall follow up in some way on every customer inquiry or complaint and keep a record of inquiries and follow-up activities.

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Company: _____

Decision No.: _____

Phone: _____

Effective Date: _____

Comprehensive Water System Audit Program Tariff – BMP 4.3

PURPOSE

A program for the Company to perform a systematic audit of its water system(s) and water records to identify and quantify water losses (Modified Non-Per Capita Conservation Program Best Management Practice Category 4: Physical System Evaluation and Improvement 4.3 Comprehensive Water System Audit Program).

REQUIREMENTS

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission and were adapted from the Arizona Department of Water Resources' Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. The Company shall perform a comprehensive audit of its water distribution system(s), systems control equipment, production and treatment facilities and water records to identify and quantify water losses.
2. The audit must include an analysis of results that includes plans for corrective measures and can be a precursor to a leak detection and/or meter repair/replacement program to attain and maintain a less than 10 percent unaccounted for water loss in its system(s).
3. This BMP will be effective for only one year (unless the Company can offer justification for an ongoing or multi-year program). In subsequent years, the Company must replace this measure with another BMP from the list of additional BMPs to continue to meet its BMP requirements.
4. The Company shall conduct a water audit which includes the following steps to determine how efficient each water system is operating and where the losses might be.
 - a. Use coordinated monthly source and service meter readings to calculate how much water enters and leaves the system during the 12 month review period.
 - b. Track and estimate any unmetered authorized uses.
 - c. Calculate the total amount of leakage using the following formula:

$$\text{Unaccounted for water (\%)} = \frac{[(\text{Production and/or purchased water minus metered use \& estimated authorized un-metered use}) / (\text{Production and/or purchased water})] \times 100}{1}$$
 - d. Authorized un-metered uses may include firefighting, main flushing, process water for water treatment plants, etc. Water losses include all water that is not identified as authorized metered water use or authorized un-metered use.
 - e. Determine possible reasons for leakage, including physical leaks and unauthorized uses.

Decision No. _____

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- f. Analyze results to determine the improvements needed, such as, better accounting practices, leak survey or replacing old distribution pipes.
5. The Company shall take appropriate steps to ensure that its water system is operating at optimal efficiency.
6. The Company shall keep accurate and detailed records concerning its annual water audit results and the associated costs. These records shall be made available to the Commission upon request.

Decision No. _____

Company: _____

Decision No.: _____

Phone: _____

Effective Date: _____

WATER SYSTEM TAMPERING TARIFF – BMP 5.2

PURPOSE

The purpose of this tariff is to promote the conservation of groundwater by enabling the Company to bring an action for damages or to enjoin any activity against a person who tampers with the water system.

REQUIREMENTS:

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission, specifically Arizona Administrative Code ("AAC") R14-2-410 and the Arizona Department of Water Resources' Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. In support of the Company's water conservation goals, the Company may bring an action for damages or to enjoin any activity against a person who: (1) makes a connection or reconnection with property owned or used by the Company to provide utility service without the Company's authorization or consent; (2) prevents a Company meter or other device used to determine the charge for utility services from accurately performing its measuring function; (3) tampers with property owned or used by the Company; or (4) uses or receives the Company's services without the authorization or consent of the Company and knows or has reason to know of the unlawful diversion, tampering or connection. If the Company's action is successful, the Company may recover as damages three times the amount of actual damages.
2. Compliance with the provisions of this tariff will be a condition of service.
3. The Company shall provide to all its customers, upon request, a complete copy of this tariff and AAC R14-2-410. The customers shall follow and abide by this tariff.
4. If a customer is connected to the Company water system and the Company discovers that the customer has taken any of the actions listed in No. 1 above, the Company may terminate service per AAC R14-2-410.
5. If a customer believes he/she has been disconnected in error, the customer may contact the Commission's Consumer Services Section at 1-800-222-7000 to initiate an investigation.

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